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Near East and South Asia Review

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12 April 1985

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**Near East and
South Asia Review**

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South Yemen: Setup for a Showdown?

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The recent changes in the Yemeni Socialist Party Politburo and the South Yemeni Cabinet do not significantly weaken the position of South Yemeni leader Ali Nasir Muhammad but are probably tactical moves helping him to prepare for a showdown with his hardline rivals at the party congress scheduled for next October.

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UAE: Federation in Disarray

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Discontent is building in the United Arab Emirates over the indecisiveness and bickering among federation leaders. As the UAE's political and economic situation stagnates, public disillusionment with the federal government will encourage internal instability and external meddling.

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**The Northern Emirates of the UAE:
Seeking Financial Independence**

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With the formation of the United Arab Emirates in 1971, Abu Dhabi—the largest and wealthiest emirate in the UAE—took on the financial responsibility for developing the five northern emirates, but increased petroleum earnings in the north are reducing their need for subsidies and weakening Abu Dhabi's power over their policies.

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Abdul Haq: A Capital Insurgent

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Afghan insurgent commander Abdul Haq has been an important player in keeping the insurgency active in the Kabul area, but recent heavy Soviet and regime security measures and operations may be reducing his effectiveness, already limited by ethnic, political, and religious differences among the insurgents.

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India: Security Problems in the Northeast

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The planned raising of additional security forces in India's northeast indicates that internal security problems there are probably worsening, but these new measures together with political concessions and economic aid should control the situation.

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Nepal: Palace, Panchayats, and Democracy in 1985

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Nepalese King Birendra has flirted with a variety of democratic experiments during recent years, but he maintains a firm hold on the reins of power and will be able to contain demands for increased democracy by playing competing factions against each other and presenting the monarchy as the focus of national unity.

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as noncoordinated views. Comments may be directed to the authors.

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Articles

Algeria Cools Its Ties With the Soviet Union

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Algeria's desire for better relations with the United States has been accompanied by a cooling of ties between Algeria and the Soviet Union. Principal factors in this change are a shift in Algeria's ideological perspective and an interest in diversifying its sources of military equipment. The Bendjedid regime, however, realizes that it cannot abandon Algeria's longstanding ties with Moscow. Algeria will continue to require access to sophisticated Soviet-made arms and must ensure the continuation of Soviet resupply and maintenance assistance. Moreover, Algiers cannot appear too pro-West if it is to maintain its credentials as a major nonaligned Third World government.

Easing Away From Moscow

Limiting the influence of the superpowers in North African politics has been one of Bendjedid's major foreign policy objectives. Bendjedid and his advisers often comment that Algeria will never become a client of any power after having paid so heavily for independence. In our view, the Bendjedid government has made clear to Moscow that its version of nonalignment includes improved relations with Western Europe and the United States. In support of its policy of nonalignment, Algiers has refused Moscow's requests to establish permanent basing rights or hold joint military exercises and has reduced the number of Soviet advisers over the past five years from a high of 2,500 to 1,200. According to the US Embassy, Algiers has also made clear that it does not want direct Soviet military involvement in the Western Sahara conflict.

An important factor in Algiers' moving away from Moscow has been widespread dissatisfaction with the quality of Soviet military assistance and the desire to

reduce Algeria's dependence on a single military supplier. According to the US Embassy in Algiers, the government also believes that the Soviet model for economic development has failed to meet Algeria's needs. The emphasis on heavy industry caused the development of such sectors as agriculture and light industry to languish. Moreover, the old system of centralized control over state corporations produced a cumbersome and inefficient bureaucracy. The combination of these factors has prompted Algiers to look to the West for technical and financial assistance.

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Bendjedid also has personal reasons for curbing Algeria's close identification with Moscow. Bendjedid almost certainly has not forgotten Moscow's efforts to swing the 1979 presidential election in favor of a pro-Soviet FLN leader to succeed President Boumediene. Bendjedid's consolidation of power during his first term as President included the careful weeding out of many pro-Soviet holdovers to weaken Moscow's ability to influence Algeria's decisionmaking process.

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Algiers also is suspicious of Libya's ties with the Soviet Union. The US Embassy in Algiers reports that the Algerians were extremely troubled by Qadhafi's public threat last year to grant Moscow access to Libya's military facilities. Algiers probably views the union between Libya and Morocco as providing an opportunity for the Soviets to improve relations with Rabat. Algiers almost certainly would view any attempt by the Soviets to sell more

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sophisticated weapons to Libya or supply military equipment to Morocco as threatening regional stability and undermining Algeria's desire for regional leadership. []

These negative aspects of the relationship should not mask the fact that the Bendjedid regime works with Moscow in a number of areas:

- Algeria continues to grant the Soviet Union access and transit rights to its ports on a case-by-case basis and allows Soviet overflights into Sub-Saharan Africa.
- Algiers continues to send students and some military personnel to the Soviet Union for training and education and participates in such Soviet-sponsored activities as the Afro-Asian People's Solidarity Organization and Moscow's annual International Youth Conference.
- Low-level Soviet-Algerian exchanges take place yearly to sign cooperation agreements and discuss bilateral issues.
- Soviets participate in some Algerian development projects, such as building a steel plant in Jijel and parts of the gas pipeline to Hassi R'Mel, and have nearly 5,500 economic technicians in Algeria, although Algiers restricts their access to the local population.
- Algeria's voting pattern in the United Nations often mirrors that of Moscow, but this reflects Algiers' nonaligned orientation rather than support for the Soviet Union. The Bendjedid government did surprise most UN observers, however, by abstaining on the UN resolution condemning the Soviet invasion of Afghanistan. []

Continued cooperation in these areas supports Algiers' commitment to nonalignment. More important, Algeria wants to preserve the option to buy sophisticated military equipment. The Algerians realize that a sudden and complete shift to Western military suppliers could result in the loss of Soviet maintenance, equipment, and spare parts. This would reduce dramatically Algeria's military capabilities—a key factor in Algeria's pretensions to regional leadership. []

Outlook

Algiers will be cautious not to alienate Moscow or jeopardize the Soviet arms flow as it expands its ties to the West, particularly the United States. Algeria almost certainly will continue to grant Soviet air and naval forces limited transit and port visits as well as overflight privileges. Algerians also will refrain from publicly criticizing Soviet policies that they believe are outside Algeria's interests, such as Soviet support for Nicaragua or increasing Soviet involvement in Syria. At the same time, Bendjedid is unlikely to approve longstanding Soviet requests for military base rights or to sign a friendship treaty with Moscow, which would be viewed by the current regime as compromising Algeria's nonalignment. []

Nevertheless, Moscow is concerned about Bendjedid's turn toward the West. The Soviets have been trying to prevent a further erosion in relations with Algeria through a series of high-level visits from Moscow over the last seven months. They probably will urge Bendjedid to visit Moscow after his trip to Washington. They are not likely to initiate a break or even cool relations with Algeria. []

Relations between Algiers and Moscow, however, will continue to be strained. Moscow probably recognizes that Algeria will be dependent on Soviet arms for the near future and—under present circumstances—is unlikely to offer more lenient terms for military and economic assistance. Algiers has already experienced stringent Soviet repayment schedules and insistence that repayment be in hard currency and not oil. The Soviets may calculate that, as the price of oil declines and as Algeria's oil supply diminishes over the next 10 years, Soviet terms will remain more attractive than the West's. If Algiers buys sophisticated military equipment, such as fighter aircraft—from the West, Moscow may ease repayment terms to curb such purchases. []

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Algeria: A Changing Economic Strategy

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With the strongest economy in North Africa, Algeria has maintained an excellent international credit position through prudent financial management, and this should provide it sufficient leeway to complete its current development plan. The vicissitudes of the oil and gas market and the limited prospects for gas sales to Western Europe will be the main factors affecting the government's ability to meet development spending goals. Moreover, continued austerity to cope with the soft oil market will, despite Algeria's pervasive security forces, sharply increase the likelihood of unrest.

Petroleum: The Economic Mainstay

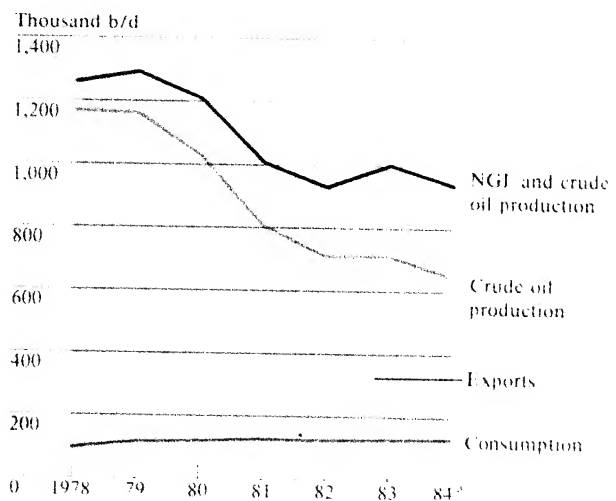
Oil and gas account for nearly all export receipts, 30 percent of GDP, and 40 percent of government revenues. In contrast, despite heavy spending in industrial development, nonoil heavy industry provides only 15 percent of GDP. A limited oil reserve base is causing Algeria—with the fifth-largest gas reserve in the world—to rely increasingly on gas exports for foreign exchange. Crude oil production capacity peaked in 1978 at more than 1 million b/d and is declining about 10 percent annually.

New Development Plan

Algeria has embarked on a \$110 billion 1985-89 development plan that emphasizes agriculture—a major break from past policy. More important, the plan reveals President Bendjedid's growing ability to direct the economy—over the objections of remaining socialist hardliners. The evolution toward a market-oriented economy will exclude the priority areas of petroleum and heavy industry.

As part of the new development plan, the government has offered free state land to small farmers around Algiers probably to help raise agricultural production through conversion of collective farms to private

Algeria: Hydrocarbon Production and Exports



* Estimated

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ownership. Private-sector farms already produce 60 percent of Algeria's cereal output and 90 percent of meat on less than one-third of available farmland. The US Embassy in Algiers reports that response has been mixed as the government will retain control over crop choice and marketing. This program—one of the first positive steps under the plan—is fraught with risks for the regime because of the bitter struggle to nationalize farmland after independence.

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Table 1
Algeria: Balance of Payments

Billion US \$

	1980	1981	1982	1983	1984 ^a	1985 ^b
Current account balance	1.6	-1.8	-1.9	-1.7	-2.3	-2.6
Trade balance	5.6	2.4	2.2	2.7	2.4	2.4
Exports, f.o.b.	15.9	13.5	12.7	12.5	12.6	12.4
Petroleum and products	14.9	12.3	10.7	9.4	9.6	9.4
Gas	1.0	1.2	2.0	3.1	2.9	3.0
Imports, f.o.b.	10.3	11.0	10.5	9.8	10.2	10.0
Foodstuffs	2.1	2.2	2.0	1.8	1.8	1.7
Semimanufactured goods	4.4	4.2	4.1	3.7	3.9	3.9
Capital goods	2.8	4.0	3.4	3.8	3.9	3.9
Consumer goods	1.0	0.6	1.0	0.5	0.6	0.5
Net services	-3.9	-4.1	-4.0	-4.2	-4.5	-4.9
Grants	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Capital account balance	-0.5	1.7	0.6	1.2	1.9	2.4
Changes in reserves	1.1	-0.1	-1.3	-0.5	-0.4	-0.2

^a Estimated.^b Projected.

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Unlike many other Third World oil producers, Algeria has moved quickly to head off financial problems caused by the soft oil market. The US Embassy reports that sharply lower petroleum revenue projections already have been incorporated in the national budget and the development plan. Algeria's excellent credit rating, despite one of the largest debt burdens of any OPEC country, should allow the government to meet foreign borrowing needs through 1989. We estimate that service costs on the \$16 billion foreign debt peaked in 1982 and will decline slightly to a manageable 33 percent of export receipts this year. Foreign reserves have been maintained at about \$1.6 billion—two months of imports—since 1983

includes about 300,000 b/d of condensate and natural gas liquids. Overall export receipts of \$12.4 billion will show little growth this year. Even assuming no increase in import costs, we project a \$2.6 billion current account deficit for 1985. Real GDP growth has averaged 4 percent annually since 1979 and is not likely to exceed 5 percent in 1985, according to the US Embassy.

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Slow growth will frustrate government efforts to improve living standards for most of the population—50 percent is under 18—which is growing 3 percent annually. Food prices have recently been increased by as much as 17 percent to trim the growing subsidy burden on the budget. Imports of consumer goods are down 50 percent from the 1982 level, and social spending has been sharply curtailed. The US Embassy reports that unemployment probably

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Outlook

Algeria's economy will continue to be determined by the international oil market through the rest of the 1980s. Oil exports this year are not expected to exceed the 800,000-b/d level achieved in 1984—a level that

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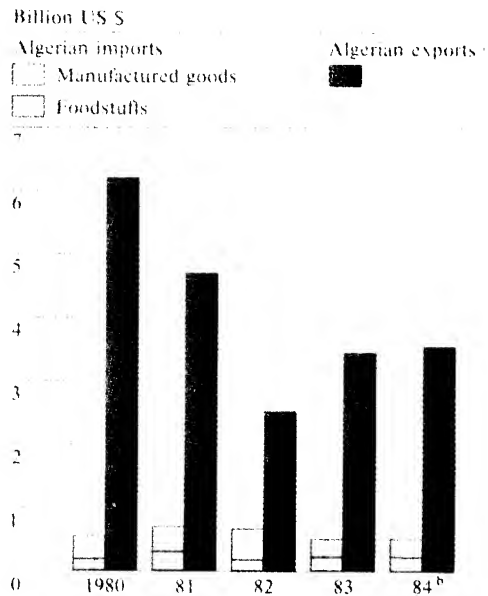
Algerian Gas—An Alternative to Soviet Supplies in Western Europe?

Algeria's potential to be a significant supplier of natural gas to Western Europe is hampered by its hardline stance on pricing and unreliability as a supplier. As a result, purchasers probably will be less willing to sign new contracts for Algerian gas, opening new opportunities for the Soviet Union to capture any growth in import demand in the West European market. []

Algiers' ability to sell liquefied natural gas (LNG) is limited by its pricing demands that make Algerian LNG 30 percent more costly than Soviet gas. Only gas sold to Italy via the Trans-Mediterranean Pipeline is competitive in the current surplus market. Algeria has been negotiating gas export contracts directly with consumer governments. These deals are at times part of a larger trade package and require subsidies to state-owned utilities that purchase the gas. []

We believe Algiers' inflexible pricing policy has been in large part determined by production problems that limit the amount of gas available to meet supply commitments during the rest of this decade. Unanticipated problems in existing fields, delays in developing new gasfields, and continuing poor performance of LNG plants are limiting output. The government has considered several alternatives—such as decreasing gas injection and accelerating development of southern gasfields—but most are too costly or politically undesirable. Such measures would allow Algiers to export between 20 billion and 25 billion cubic meters annually through the early 1990s. By the mid-1990s, after new gasfields come on line and the production capabilities of existing fields are restored, Algiers should be able to meet its existing commitments and perhaps have an additional 40-45 billion cubic meters per year available for export. []

Algerian-US Trade



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exceeds 20 percent in urban areas. Algeria's pervasive security forces and the limited expectations of most Algerians have helped control discontent so far. Continued austerity, however, will increase the likelihood of unrest. []

Implications for the United States

Algeria's economy is the strongest in the region despite financial constraints. Algiers has provided a \$500 million market for US agricultural goods, heavy

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Algeria: Gas Exports*Billion cubic meters*

	1978	1979	1980	1981	1982	1983	1984	1985 ^a
Total	6.6	11.5	6.7	7.6	11.5	18.2	20.0	34.4
Belgium	0.0	0.0	0.0	0.0	0.4	1.9	1.6	2.5
France	3.1	3.0	2.1	4.6	7.5	9.2	8.8	9.4
Italy	0.0	0.0	0.0	0.0	0.0	2.4	6.9	12.5
Spain	0.4	0.7	1.3	1.5	2.0	1.5	1.5	4.1
United Kingdom	0.7	0.7	0.9	0.5	0.0	0.0	0.0	0.0
United States	2.4	7.2	2.5	1.1	1.6	3.3	1.2	5.9

^a Contracted deliveries.

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machinery, and transport equipment since 1979. The government has expressed interest in US technology and expertise to help meet agriculture and water resource development goals—a \$16 billion market over the next five years. In addition, Algiers is looking for Western sources of supply for its Soviet-equipped armed forces and has expressed interest in US military equipment and training, according to the US Embassy.

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US companies will have to overcome stiff competition from Algeria's West European trade partners—particularly the French—to gain a share of the market. Financing will be a key element in major contract negotiations. Petroleum barter deals may be offered as payment. In addition, Algiers may look for concessions in gas negotiations with Washington as a sign of US interest in broader relations.

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Merkava was designed with protection as the foremost design consideration. Because Israel has a relatively small pool of available manpower, the General Staff decided that protecting a tank's crew is of the utmost importance, followed by firepower and mobility [redacted]

At roughly 60 metric tons when fully loaded for combat, the Merkava is the world's heaviest tank. The developers devoted a large part of the vehicle's weight to spaced armor designed principally to defeat light and medium shaped-charge weapons that took a heavy toll on Israeli tanks in the 1973 Arab-Israeli war. They also made clever use of nonarmor components to increase protection: the diesel engine and transmission are mounted in the front of the vehicle and could provide additional shielding for the crew, the suspension provides some additional protection along the sides, and the tank's diesel fuel is stored between layers of armor to attenuate shaped-charge jets that might penetrate the outer layer of armor. The Merkava also has armored side skirts. Crew survivability is enhanced by a halon fire-extinguishing system and a nuclear, biological, and chemical protective system. [redacted]

nominally carries 65 main gun rounds, but room in the rear of the tank usually is used to carry extra rounds. [redacted]

The Merkava is powered by a US-produced 900-horsepower diesel engine and transmission. Its tactical mobility is comparable to that of the US M-60 series, but the Israelis say the Merkava performs better than older US tanks on the rocky terrain of the Golan Heights because of its robust track and suspension system. [redacted]

Improved Merkavas

The latest version of the Merkava, the Mark II, incorporates improved modular armor appliques on the front of the turret and new appliques to the turret sides that substantially improve the level of protection, especially against shaped-charge warheads (see figure). The rear of the turret is fitted with chain armor to protect against light antitank weapons. The tank also features an improved fire-extinguishing system [redacted]

The Mark II's improved fire-control system includes an Israeli-produced thermal-imaging sight for the gunner and night vision equipment for the driver, gunner, and commander. The Israelis have increased the tank's mobility by raising the engine's horsepower to 1,050 and providing a new West German transmission. [redacted]

The tank's main armament is an Israeli-produced version of the British 105-mm gun that arms most NATO tanks. This gun is horizontally and vertically stabilized. The Merkava's indigenously produced digital fire-control system incorporates a laser rangefinder. [redacted]

[redacted] The tank

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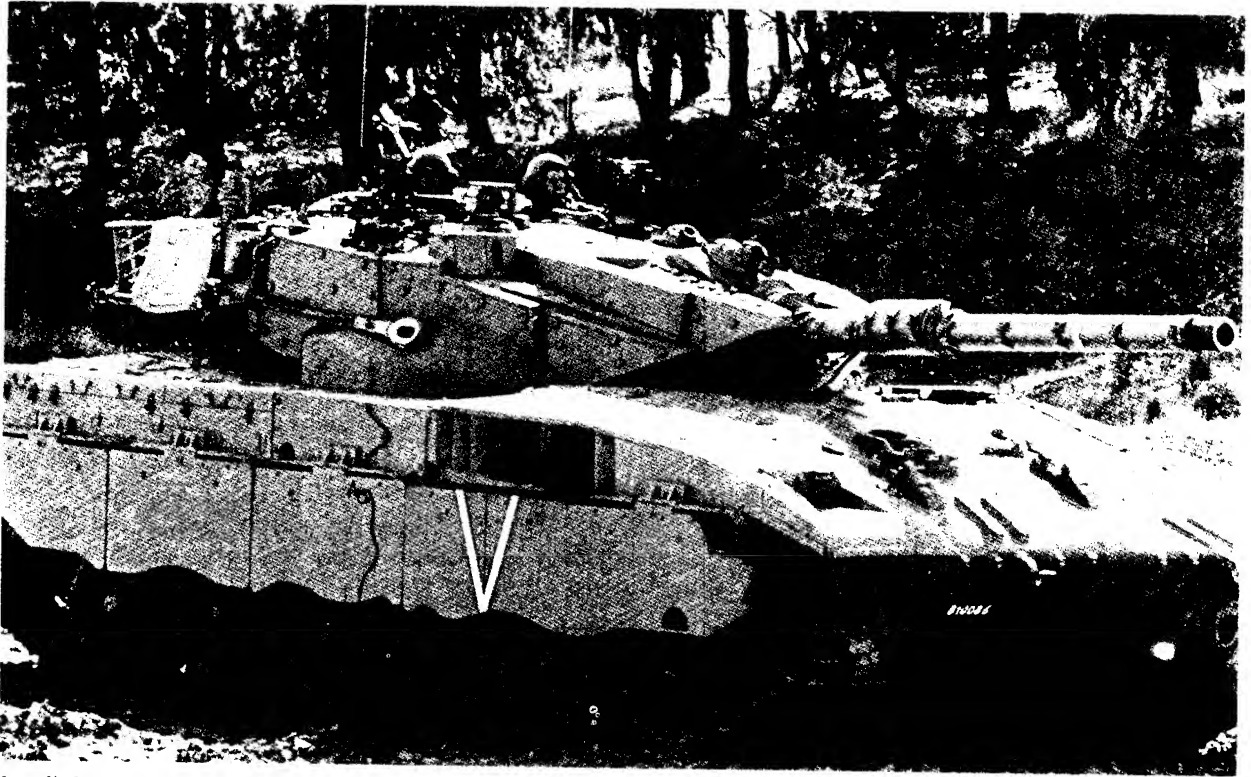
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Israel's latest tank: the Merkava Mark II [redacted]

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In the 1990s the Israelis may field a Merkava variant that will mount a 120-mm gun on a pedestal or in a reduced-volume turret, be well protected, and may be powered by a 1,500-horsepower turbine engine.

[redacted]

In addition, the Israelis are continuing to develop better 105-mm kinetic energy tank gun ammunition.

[redacted]

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Continuing Modernization

The Israelis also will continue to upgrade tanks already in the inventory. Basic Merkavas eventually will be brought up to the Mark II standard, and Centurions and M-60-series tanks will continue to receive improved components. These tanks have already been fitted with reactive armor to increase their resistance to shaped-charge warheads and may receive better armor packages as they become available. In the long run these tanks may also receive 120-mm guns; better fire-control systems, including improved night vision devices; and improved engines, transmissions, and suspensions to help them carry the weight of additional armor. [redacted]

Combat Effectiveness

The Israelis believe they have an adequate number of tanks in their inventory to meet their security needs. Most tanks in Arab inventories are older Soviet models—T-54s, T-55s, and T-62s—which any Israeli tank has the technical capability to defeat in a tank-on-tank duel. [redacted]

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The Syrians and Iraqis, however, have been receiving hundreds of T-72s, which are heavily armored fighting vehicles armed with a powerful 125-mm gun. This gun probably has the technical capability to defeat any tank in the Israeli inventory from any direction. Even so, Israeli tankers defeated basic T-72s in Lebanon. Many of the Israeli victories over T-72s apparently were achieved using improved versions of the TOW antitank guided missile, which can readily defeat the T-72 from any direction. []

[] The Israelis' victories may have been complicated by the need to attack the T-72s from above and from the sides or rear, where their armor is thinnest, instead of firing at their heavy frontal armor. []

The probable introduction of improved T-72 tanks into Syrian and Iraqi forces complicates the Israelis' efforts to defeat Arab armored forces. Israeli tankers probably cannot defeat these latest T-72s in frontal engagements at normal battle ranges with the tank gun ammunition currently available to them. This threat will spur Israeli efforts to field depleted uranium kinetic energy rounds for their 105-mm tank guns and to produce 120-mm tank guns for their latest Merkavas. Eventually, they probably will equip many of their older tanks with the larger gun. Both the larger guns and the improved 105-mm ammunition will increase the Israelis' chances for successfully engaging the T-72s from the front. []

Until these are available, Israeli tankers will have to attack these adversaries from above or from the sides or rear. The Israelis, however, probably can defeat the improved T-72s frontally using improved TOW or Mapats, which is an Israeli derivative of the TOW. As in the past, their task will be made somewhat less difficult by the inferior capabilities and training of Syrian and Iraqi conscripts—factors making it likely that few Syrian and Iraqi crews will be able to extract the full potential from these T-72s. Moreover, the improved T-72s are being introduced only gradually and in relatively small increments. The majority of the Syrian and Iraqi tank inventories will remain

T-54s, T-55s, and T-62s for many years to come. Thus, the Syrian and Iraqi acquisitions of new Soviet tanks will not seriously threaten Israel's battlefield superiority. []

Limiting Factors

The Israeli Army considers the procurement of Merkavas its top-priority equipment program of the next five years. Continued infusion of US assistance probably will ensure continuation of the program despite Israel's ailing economy. The burgeoning costs of the Lavi fighter aircraft—the top Israeli Air Force procurement program—could endanger the Merkava. The skyrocketing cost of the Lavi might eventually cause the Army to bring pressure to bear to cancel or scale down the Lavi program. []

Related Costs

Tanks can achieve their maximum effectiveness only when they are used in combination with other forces, most important, artillery and infantry. Moreover, the artillery and infantry optimally should be able to keep pace with tanks during operations, which means that the artillery should be armored and self-propelled and the infantry should be mounted in armored vehicles. The Israelis have procured large numbers of US-manufactured self-propelled howitzers and armored personnel carriers in recent years. They will buy more armored personnel carriers and will modify the howitzers and armored personnel carriers already in their inventory to improve their effectiveness and survivability. []

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The Israelis also face additional costs directly related to support for the Merkava. The Israelis prefer whenever possible to move their tanks to the battlefield on tank transporters. This helps ensure that the tanks will enter the battle in good condition instead of at the end of a long and arduous road march that usually results in at least minor breakdowns. [REDACTED]

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[REDACTED] The Israelis are seeking a short-term remedy by purchasing 60 heavy trucks, probably from a West German firm, that could pull trailers loaded with the Merkava. The Israelis also have a longer term requirement for a truck that can haul a load of nearly 100 tons. This suggests that they want to be able to haul Merkavas with spare parts, extra ammunition, and additional fuel. [REDACTED]

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Iran: Status of Opposition Groups

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The Khomeini regime is facing its greatest challenge since consolidating its control of Iran in mid-1981. Factionalism within the regime, dwindling oil income, and the recent military setbacks in the war with Iraq are causing increased domestic unrest. Nonetheless, organized opponents of the regime—both within and outside Iran—appear to lack sufficient strength to exploit the regime's problems. Opposition groups inside Iran remain on the defensive because of harsh government repression. Regime opponents in exile have little support in Iran and continue to bicker among themselves. Therefore, factions within the regime are more likely than the opposition to gain eventual control and influence Iranian policies. Iran's mounting economic problems and war weariness, however, are creating conditions that could permit a nonclerical coalition to jell and gain popular support.

Long-running power struggles within the Khomeini regime are intensifying, both because of the Ayatollah's failing health and because the regime faces serious problems with the economy and in the war with Iraq:

- Lower oil revenues and low foreign exchange reserves prevent the government from relying on imports to maintain current consumption levels and to provide materials for domestic industry.
- Economic austerity is adding to domestic unrest, and regime spokesmen are urging the public to lower its expectations.
- Iran's latest offensive was a dismal failure despite months of preparation.
- Iraq appears determined to maintain a heightened level of economic and military pressure on Iran to force it to the negotiating table.

The regime's efforts to deal with these problems are complicated by factional infighting. Moderates believe that the best way to preserve an Islamic regime in Iran is to adopt a less aggressive foreign policy and to adjust domestic policies to deal with

economic difficulties. Radicals believe that any relaxation of revolutionary policies will lead Iran back into subservience to the West—and also end their political careers. Khomeini, whose support is still critical for any faction's success, recently seems to have been moving away from the radicals.

Groups opposed to the Khomeini regime—both inside Iran and abroad—have been unable to exploit the government's problems, and they are unlikely to wield significant influence in Iran even after the Ayatollah dies:

- No leader capable of challenging Khomeini's personal appeal or that of the Islamic government he symbolizes has emerged within any opposition group. The need for a strong personality to galvanize popular opposition—as Khomeini did against the Shah—is considered crucial by most experts on Iran.
- Prominent exiles engage in endless bickering and posturing. Although some maintain limited contacts inside Iran, there is little evidence of popular support for any of them.
- Opposition groups active within Iran are subject to repression and continuous surveillance by the regime. These groups remain an irritant rather than a significant threat.

Nonetheless, Iran's economic downturn and popular war weariness are issues that could eventually unite disparate elements in the population against clerical

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rule. War policy already is debated within the regime partly in terms of how the day-to-day well-being of the regime's lower-class supporters will be affected. Iranian leaders also appear to recognize that economic problems can cause a broad segment of the populace to turn against the regime. The government has moved to placate conservative bazaaris and has beaten and arrested dozens of striking workers in hopes of preventing a unified opposition labor movement. Although there is little information about the organization of strikes, one new group—the Solidarity Committee of Iranian Workers, based in Esfahan where Communist influence has been strong among workers—claims it coordinated strike actions in several cities late last year, according to the exile press.

Opposition Groups in Iran

There are several groups inside Iran in open opposition to the Khomeini regime. Although all cooperated in the anti-Shah movement and hoped to play influential roles in the revolutionary government, they have been excluded by the clerics and have turned against the regime. Recognizing that these groups pose a threat, Tehran has brutally suppressed them.

Mujahedin-e Khalq. This Islamic-Marxist nationalist group assassinated several US advisers in Iran during the revolution. Led by exiled Masud Rajavi, it posed the most serious challenge to the Khomeini regime until it was suppressed in 1981. Rajavi fled to France in 1981, and the status of the current Mujahedin leadership in Iran is unknown. The group had a committed cadre of about 10,000 educated urban youths at its peak in early 1981 and had penetrated the government and the Revolutionary Guard. It still claims to have several thousand cadre, although we suspect this figure is exaggerated.

The Mujahedin-e Khalq has an active propaganda program outside Iran and has been involved in the recent scattered resurgence of terrorist actions in Iran and abroad. The group maintains an uneasy alliance through the National Resistance Council with former President Bani-Sadr and the Kurdish Democratic Party.

Paykar. This group is a leftist offshoot of the Mujahedin-e Khalq. It has always been small, and its members are regular targets of regime repression.

Tudeh Communist Party. The pro-Soviet Tudeh had about 5,000 members before its leaders were arrested for treason and the party was repressed in 1983. Tudeh had cooperated with the Khomeini regime, but it also had penetrated both the government and military. Some senior members associated with the military were executed following the crackdown in 1983. Civilian leaders in custody have not yet been tried. An underground organization may still function in Iran, but the party leadership is in exile in Europe.

Fedayen-e Khalq. This small radical leftist group carries out scattered terrorist activity in Iran and abroad. It split in 1979, one part merging with the Tudeh Party and the other remaining active in northwestern Iran along with dissident Kurds. It has been repressed by the Khomeini regime, and its leadership is unknown.

Kurdish Democratic Party. Abdol Rahman Qasemlu, its leader, claims that the party has 10,000 members, but it probably has far fewer than that under arms. Repeated regime offensives since 1979 have forced the Kurdish guerrillas into the mountains, where they continue hit-and-run operations. Iraq and European socialist groups provide some aid, and the party remains in an uneasy alliance with the Mujahedin-e Khalq.

Solidarity Committee of Iranian Workers. According to the Iranian exile press, this group emerged in late 1984 during a period of apparently coordinated strikes in major urban centers. It may be the nucleus of a coordinated labor movement. The exile press claims the group is modeled on the Polish Solidarity Union. No details are available on its leadership, but it may be the creation of remnants of the Mujahedin-e Khalq, or even of the Tudeh. If such a committee exists, it would be the first internal group to challenge the regime since the suppression of the Mujahedin, and it could attract popular support because of economic austerity and war weariness.

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Opposition Outside Iran

Iranian exiles have been unable either to unite or to maintain strong links inside Iran. Bickering among the groups and competition for resources have diverted their energies. Exiled oppositionists and their supporters can be divided into two groups—those who were part of the revolutionary coalition but later ran afoul of the Khomeini regime, and those who opposed the revolution. Prominent among the former are:

- Former Defense Minister Adm. Ahmad *Madani*, 56 years old. Madani fled Iran in 1980 after antagonizing pro-Khomeini radicals. He seems to retain a positive reputation in Iran, but he has only limited influence among some moderate clerics and laymen as well as among some military elements. Madani may be the only exile leader with sufficient support to have a chance of returning to an official position in an Islamic post-Khomeini regime.
- Former President Abol Hasan *Bani-Sadr*, 52 years old. He fled Iran with Mujahedin-e Khalq leader Rajavi in 1981 and retains none of the popularity he enjoyed when Khomeini seemed to endorse him. A Paris-educated radical economist, he has no personal appeal to Islamic radicals or moderates.
- Muhajedin-e Khalq leader Masud *Rajavi*, in his late thirties. He was a charismatic leader of the Mujahedin-e Khalq but lost much of his credibility when he fled Iran in 1981, leaving behind his militant wife who was subsequently killed by regime security forces. He remains an articulate spokesman for the Mujahedin's Islamic-Marxist doctrine that appeals to educated urban youth, but he is suspect among older, less upwardly mobile Iranians.
- *Tudeh* remnants scattered throughout Europe, the USSR, and Afghanistan after the government cracked down on the party in 1983. Considered an appendage of the USSR, its leaders have little personal following in Iran.

Exiled leaders who opposed the Islamic revolution from the start have little support inside Iran:

- Former Prime Minister Shapur *Bakhtiar*, in his early seventies, probably retains a weak following among the Westernized urban population remaining

in Iran, perhaps including some older military men. He may also be able to run limited anti-Khomeini operations inside Iran. He has no Islamic appeal, however, and cultivates an image more Parisian than Persian—a professional exile par excellence.

- Reza *Pahlavi*, the late Shah's 24-year-old elder son, benefits from a popular nostalgia triggered by the current hardships in Iran. Although some elements of the population taunt regime members by shouting pro-Pahlavi slogans during demonstrations, the royal family retains little support in Iran. Royalists, however, may be able to stage limited operations inside Iran. The "young Shah" has no well-defined political personality or program, although he recently named a committee to consider forming a government-in-exile.

Opposition Within the Regime and Other Interest Groups

The following groups accept, in varying degrees, the principle of clerical influence in the government. They disagree, however, with some aspects of the current regime and are attempting to reshape clerical rule. We believe these groups will play key roles in the struggle for control after Khomeini and are attempting to exploit current difficulties for their own advantage.

Moderates Within the Regime. These clerics, laymen, bazaaris, and government technocrats believe that Iran's interests—and their own—lie in reducing clerical involvement in government. They would like to scrap radical proposals for central control of economic activity, land reform, prolonging the war with Iraq, and limiting foreign contacts to other revolutionary regimes. The moderates probably are strong enough in the newly elected Consultative Assembly to sidetrack radical programs. Moreover, they recently have been strengthened by support from Khomeini in his statements on domestic legislation and foreign policy.

Military. The regime has repeatedly uncovered coup plots and purged the armed forces but still suspects their loyalty. The ubiquity of clerical advisers and informers reduces the possibility of effective

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independent political activity by the military or action on behalf of an exile leader. Moderate and conservative clerics have cultivated contacts within the regular and paramilitary forces and would attempt to use these links to gain military support if the power struggle among regime factions becomes violent.

Revolutionary Guard Officers and Radical Lay Technocrats. Both groups play an important role in the Khomeini regime. Regime concern about the influence of the Guard is reflected in Khomeini's admonitions that it stay out of politics. Despite these warnings, factions within the regime have sought support among Revolutionary Guard units in anticipation of future strife. Many Guard officers and radical lay technocrats are opportunists who are not deeply Islamic and probably resent the prominence of the clerics. These elements probably hope eventually to oust the clerics in favor of a government dominated by "progressive" lay groups.

The Guard—never a cohesive organization—now appears to be even less unified than in the past. Experienced Guard officers are disillusioned, [redacted]

[redacted] These trends probably will be strengthened by Iran's latest defeat. Nearly all the forces committed to the attack were Revolutionary Guards, and they probably comprised over 90 percent of the casualties. There is an alternative, although less likely, possibility that the recent losses and other government actions limiting Guard prerogatives could spur Guard unity against a "common" enemy—the clerical regime. If elements of the Guard unite, they would become a key player in the Iranian power struggle. Should the Guard help overthrow clerical rule, it would be unlikely to support moderate policies that would be more favorable to US interests.

Conservatives Outside the Regime. This faction is dominated by elderly senior Shia clerics who are strongly opposed to close identification of the clergy with the government. They would like to reduce the day-to-day political role of clerics and rescind radical foreign and domestic policies. Of the four senior clerics who have most strongly criticized the regime, two recently died. Two other senior clerics sometimes

cooperate with Tehran because they hope—along with their moderate allies—to affect the succession to Khomeini.

Former Prime Minister Bazargan and His Allies.

They hold no official positions, but manifestos Bazargan publishes periodically have an indirect influence on regime policy and may have helped generate Khomeini's moderation decree issued in December 1982. The septugenarian Bazargan apparently is respected by Khomeini for his longstanding opposition to the Shah and commitment to Islamic government. Radicals are intolerant of Bazargan's calls for a more moderate regime, however, and have tried repeatedly to imprison him and break up meetings held at his office in Tehran.

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South Yemen: Setup for a Showdown?

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This winter's sessions of the Yemeni Socialist Party Supreme Council produced several changes in the Politburo and Cabinet. Our continuing analysis of the results of the meetings indicates that they do not significantly weaken the position of South Yemeni leader Ali Nasir Muhammad.

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Changes in the Cabinet

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The roster of Cabinet posts published by the Supreme Council does not list Ali Antar in any position. His evident removal as First Deputy Prime Minister appears to be an almost certain gain for Ali Nasir. Yet the concurrent resignation by Ali Nasir from the Prime Minister's post suggests they may have given up their Cabinet positions by mutual consent. By retaining their first and second rankings in the party and state hierarchies, neither has lost ground, but their struggle for supremacy has been transferred out of the arena of day-to-day governance. This situation probably benefits Ali Nasir.

In February, Ali Nasir resigned as Prime Minister, while archrival Ali Antar lost his Cabinet position as First Deputy Prime Minister. Ali Nasir remains as party General Secretary and Chairman of the Supreme People's Council. It is unclear if hardline pressures forced Ali Nasir to relinquish the premiership, but these probably were tactical moves aimed at helping him prepare for a showdown with his rivals. The naming of another moderate to the Prime Minister's post preserves the balance between moderates and hardliners. Ali Nasir still controls the party apparatus and should be well prepared for the anticipated showdown with his hardline rivals at the party congress scheduled for next October. In addition to Ali Antar—who retains his seat on the Politburo and position as deputy head of state—these rivals include former President Abd al-Fattah Ismail, who was nominated to the Central Committee Secretariat.

Additions to the Politburo

Haydar Abu Bakr al-'Attas, the new Prime Minister, has been made a full Politburo member. A Hadhrami and former Minister of Installations, al-'Attas, in our view, supports Ali Nasir and his emphasis on economic development. Al-'Attas, [redacted]

[redacted] was formerly a small businessman and is an effective technocrat. Al-'Attas also has been associated with the pragmatic Hadhrami wing of the Yemeni Socialist Party, which generally supports Ali Nasir.

The appointment of Ahmad Musa'id Husayn as Minister of State Security also seems a plus for Ali Nasir. Ahmad Musa'id has been a longtime member of the Central Committee and first secretary of the party in Shabwa Governorate, Ali Nasir's political stronghold.

The placing of Salih Abu Bakr ibn Husaynun as Minister of Transport also favors Ali Nasir. Ibn Husaynun has been a military rival of Ali Antar and, in our estimate, is another of Ali Nasir's Hadhrami supporters.

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Secret**Central Committee Changes**

The announcement that former President Abd al-Fattah Ismail would become secretary of the Central Committee Secretariat would seem to constitute the most serious setback for Ali Nasir. Ali Nasir may have allowed such an appointment as a conciliatory gesture to the former President and the left wing of the party. We believe, however, that the danger associated with the return from exile of the pro-Moscow ideologue is so great that Ali Nasir would have tried to prevent it. It is conceivable that Ali Nasir believes his position is solid enough to withstand any challenge, but this would be uncharacteristic of the usually cautious Ali Nasir. Abd al-Fattah's often rumored return to South Yemen has been confirmed since he signed the condolence book for the late Soviet leader Chernenko at the Soviet Embassy in Aden.

The loyalty of Salih Munassar al-Siyayli, who was appointed secretary of the Central Committee, is an open question. Western observers are not sure of his support for Ali Nasir. If al-Siyayli is an Ali Nasir backer, he could monitor Abd al-Fattah and defend Ali Nasir's interests. Such a move, however, would simultaneously weaken Ali Nasir's hold on the State Security Committee; al-Siyayli formerly was chief of that organization. There is as yet little reliable information on the significance of al-Siyayli's new appointment and the reasons for the move.

Soviet Influence

Moscow has its hook deeply into South Yemen. Domestic policy making is strongly influenced by Soviet aid and advisers—about 2,500—who do everything from formulating Aden's economic and manpower plans to working alongside South Yemenis on agricultural, construction, and development projects.

[redacted] Roughly 1,000 Soviet military advisers play a similar role in South Yemen's military. Moscow's substantial influence stems largely from South Yemen's lack of alternative sources of economic and military aid.

South Yemen generally follows Moscow's international line, but this does not mean that the Soviets dictate foreign policy. Despite Aden's reliance on Moscow for assistance, South Yemen has exercised

a discernible degree of independence [redacted]
[redacted]

Relations With Other Peninsular States

Since 1982 we have seen a significant moderation in South Yemen's policies toward North Yemen and Oman, as well as Saudi Arabia. We give Ali Nasir most of the credit for Aden's more moderate and pragmatic foreign relations. Unless the hardliners win an unlikely victory at the party congress in October, we believe South Yemen's better relations with its neighbors will continue. Moreover, some analysts believe that Moscow has been encouraging Aden's moderation as part of the Soviet effort to improve its relations with the conservative Arab states.

Outlook: The Master of Disaster

In our view, Ali Nasir remains the ablest tactician in South Yemeni politics, and the available evidence strongly suggests that the recent personnel changes in Aden are tactical moves designed to help him prepare for a showdown with his rivals in October. If precedent is a guide, he will continue efforts to move his supporters into key party and government posts at the expense of his rivals, stacking the party congress in his favor.

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UAE: Federation in Disarray []

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Discontent is building in the United Arab Emirates over the indecisiveness and bickering among federation leaders. The loose federal government has no functioning Prime Minister, Foreign Minister, or Finance Minister at a time when economic problems require decisive action. Disagreements last year over funding the federation budget nearly plunged the UAE into a major fiscal crisis. []

[] a new government or new power-sharing arrangements in the existing political structure were in the offing. No progress has been made, however, in resolving the political stalemate, and we believe the federation's problems are likely to persist.

Turmoil at the Top

Virtually all seven of the emirates that make up the UAE face succession, border, or economic problems at a time when the founding fathers of the federation are beginning to step aside. The situation is most serious in the largest and wealthiest emirates—Abu Dhabi and Dubayy. The sons of the rulers of the two emirates are competing for power in the federation, while controversies over budgets and border disputes have intensified rivalries between the two emirates.

Abu Dhabi's ruler, Shaykh Zayid, has been the driving force behind the federation since its creation in 1971. Fellow emirate rulers have twice elected him President and look to him for help in resolving interemirate disputes. Recent Embassy reporting indicates, however, that Zayid's fellow rulers are disturbed by the drift in leadership caused by Zayid's unwillingness to rule even in Abu Dhabi and his frequent long absences from the country.

Zayid's son and heir, Shaykh Khalifa, has taken advantage of his father's absences and his position as Crown Prince to assume control of daily decisionmaking both in Abu Dhabi and in the federal government. According to Embassy reporting,

Khalifa has shown a "steel determination" to prevent corruption in military procurement, jailing some prominent UAE middlemen and forcing the renegotiation of arms sales contracts. Khalifa's rejection of demands for military expenditures, bank bailouts, and expensive infrastructure projects have made him unpopular in Abu Dhabi and the UAE as a whole.

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Khalifa's activities have brought him into direct conflict with Shaykh Muhammad of Dubayy, the third and most capable son of [] Shaykh Rashid. The ambitious Muhammad has been expanding his influence at the expense of his older brothers and is positioning himself to be a candidate for leadership in the federal government. Over the past two years he has appointed loyalists to important posts in Dubayy and assumed responsibility for a wide range of decisions. Muhammad is Minister of Defense in the federal government, but this is a meaningless post since Crown Prince Khalifa uses his role as deputy supreme commander of the UAE armed forces to control military decision making for the federation.

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Rivals in the Northern Emirates

Abu Dhabi's oil wealth has enabled it to dominate the federation, but we believe its ability to buy political support is waning as its oil revenues decline and the northern emirates' oil production and share of UAE income increases. According to the Embassy, Abu Dhabi's share of UAE income has decreased from a high of 85 percent to the current 60 percent. New oil and gas production in the northern emirates allows the smaller, poorer members of the federation to

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provide for many of their own economic needs instead of relying on federal largess. Once dependent on federal institutions to supply their energy needs, for example, two of the have-not emirates now are supplied with gas for their electricity plants from Sharjah's new production.

This economic shift is producing a corresponding political realignment. The Embassy reports that relations among the rulers of the five smaller emirates—Sharjah, Ra's al Khaymah, Al Fujayrah, 'Ajman, and Umm al Qaywayn—are showing dramatic improvement, and the rulers are seeking a more influential role in federal politics.¹ They are critical of the power vacuum in the federal government and dismayed by the rivalry between Khalifa and Muhammad, whom some of them support. [redacted] many in the smaller emirates view the federal government as a bloated bureaucracy and the Abu Dhabians as less well educated, more tribal, and less enterprising than the natives of the other emirates.

Nonetheless, all of the smaller emirates would like to see Abu Dhabi made accountable for budget expenditures and foreign policy initiatives. Last January the northern emirates banded together in a futile attempt to revamp the disorderly system of subventions to the federal treasury. Although the newly rich emirates do not provide funds for the federal budget—only Abu Dhabi and Dubai contribute, and they do so belatedly and reluctantly—they are interested in establishing a federal government that has a guaranteed income and the ability to redistribute the UAE's [read Abu Dhabi's] wealth.

Prospects for the Federation

We believe the federation's political and economic situation will continue to stagnate and may even deteriorate. The rivalry between Crown Prince Khalifa and Shaykh Muhammad shows no sign of lessening. Both recently have used highly publicized ceremonies, press interviews, and foreign visits to

¹ For a more detailed economic picture of the smaller members of the UAE, see this issue of *Near East and South Asia Review* "The Northern Emirates of the UAE: Seeking Financial Independence."

upstage the other. These displays [redacted] [redacted] have not won either prince supporters at home.

President Zayid is encouraging Shaykh Rashid's oldest son, Maktum, to replace Rashid and assume his father's role as Prime Minister of the federation. Zayid probably hopes that Maktum will prove more pliable than the highly independent and ambitious Muhammad, but neither Maktum nor Rashid's second son, Hamdan, have shown themselves able to counter Muhammad's growing influence. We believe Zayid's attempts to meddle in Dubai's internal politics will only increase tensions between the two emirates.

In our judgment, Muhammad eventually will cooperate with Khalifa and the other ruling shaykhs to preserve and maintain the federation. Muhammad will not cooperate wholeheartedly or effectively, however, until he believes he has secured his power base in Dubai and may even wait until Zayid passes from the UAE scene. We concur with the Ambassador's assessment that the price of Muhammad's cooperation will be high for Abu Dhabi and will probably mean a curb on Abu Dhabi's authority.

Over the longer term, both Abu Dhabi and the UAE will face serious demographic and economic challenges. Although Abu Dhabi is the richest emirate in monetary terms, it is the poorest in human terms. Abu Dhabians are outnumbered by the citizens of the other emirates both in the technocrat ranks in the government and in the number of students at the University of al-Ain. The Embassy notes that the younger generation of leaders in Abu Dhabi is becoming increasingly isolated from its citizens and is least capable of leadership when compared to the other emirates. By contrast, the younger generation in the northern emirates tends to be harder working and more conscientious. We believe that, as more non-Abu Dhabians enter the job market, they will expect the system to be more responsive to their perceived needs, and they may eventually press for an expanded political process that includes popular participation in government.

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Public disillusionment with the federal government and its lack of decisive leadership will continue to encourage internal instability and external meddling regardless of which shaykh rules Abu Dhabi or the federal government. Still, we judge that powerful forces are at work within the federal system that will hold it together and could strengthen it over time:

- The poorer emirates will continue to depend on federal (Abu Dhabi) spending to bolster their revenues, even if they can develop independent sources of income.
- The shaykhly families will smooth over major disagreements because they believe the risk to their future is greater if they leave the federation than if they remain in it.
- Many educated citizens from the smaller emirates have a direct stake in the federation through jobs in the federal government; they would be underemployed or unemployed if their emirate were to leave the federation.
- Individual emirates will favor a stronger federal government to help resolve border disputes among themselves and with other countries. Sharjah's ruler, for example, believes a strengthened federation could settle his border dispute with Dubayy. Several of the emirates, who share oilfields with Iran, undoubtedly find greater strength and negotiating leverage as part of the federation.

The Embassy believes—and we concur—that the UAE's greatest vulnerability would lie in public discontent over shrinking economic benefits. A decision to reduce subsidies to the smaller emirates because of declining oil revenues would cost the federation political support. In a region where the greatest driving force is often self-interest, the federation—in reality Abu Dhabi—has sought and so far has succeeded in redistributing much of its immense wealth among the emirates and individual citizens. It has absorbed OPEC-mandated oil

production cuts, bailed out the federal budget, and supported smaller emirates in financial distress. In the Embassy's view, a further decrease in oil revenues will not seriously affect the overall economic situation, and we agree that Abu Dhabi will continue to dole out largess to preserve both its leading role in the federation and the federation itself.



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The Northern Emirates of the UAE: Seeking Financial Independence

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With the creation of the federation of the United Arab Emirates in 1971, the five small northern emirates of Sharjah, Ra's al Khaymah, Al Fujayrah, Umm al Qaywayn, and 'Ajman began a rapid transformation from impoverished city-states to prosperous, modern construction sites. Abu Dhabi—by far the largest emirate in the UAE and enjoying an oil-derived per capita income among the highest in the world—took on the financial responsibility for developing the five northern emirates. Abu Dhabi's multibillion dollar contributions to the federal budget provided roads, harbors, airfields, utilities, free health care, schools, and water. Since 1982, however, Sharjah and Ra's al Khaymah have developed significant gas and condensate production as well as some minor crude oil production. Their petroleum earnings are reducing and may eventually eliminate their need for federal subsidies. This is weakening Abu Dhabi's power over their policies and is adding to strains within the federation.

The Northern Emirates

The noncontiguous borders of the five strategically located northern emirates reflect a nomadic bedouin lifestyle rather than the logic of what makes a viable state. These emirates consist of a village here, an oasis there, and similar landmarks in the desert that long have been occupied by the ruling families of the dominant tribes. Indeed, several ancient border disputes still complicate relations among the various rulers.

Sharjah, the largest of these five emirates, consists of 2,600 square kilometers spreading inland from the Persian Gulf coast and completely surrounding the largest portion of 'Ajman emirate. 'Ajman, the smallest, totals only 260 square kilometers—about the size of Washington, DC, plus Chevy Chase and Rosslyn. Besides 'Ajman town on the Gulf, the emirate includes three small, mountainous inland enclaves. Al Fujayrah emirate lies entirely on the

Gulf of Oman, east of the Strait of Hormuz, but its territory is divided by a slice of Sharjah. Similarly, Al Fujayrah splits the northern and southern halves of Ra's al Khaymah. Moreover, the northern emirates separate Oman's Musandam peninsula on the Strait of Hormuz from the bulk of Omani territory that lies south of the UAE.

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Sharjah: Becoming Independent of UAE Funds

Sharjah's first oil discovery in 1972—the offshore Mubarek field—led to a flurry of euphoric development spending in the mid-1970s. In anticipation of oil revenues the government accumulated about \$1 billion in debt, mostly to Abu Dhabi. Mubarek field, owned half by Iran and 15 percent by Umm al Qaywayn, fell far short of expectations. It peaked at 38,000 barrels per day (b/d) in 1976 and now produces only 12,000 b/d—4,200 b/d for Sharjah.

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The Sajaa gas and condensate field—discovered in 1980 and producing since 1982—has provided the financial independence sought by Sharjah. Its 60,000 b/d of condensate yield gross revenues of about \$600 million per year. That sum and \$40 million from Sharjah's share of Mubarek gross oil revenues have enabled the emirate to service its debt and finance development projects.

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Sharjah's higher earnings have brightened economic prospects by financing new projects to harness gas resources. Natural gas currently flared will be linked by pipeline to a liquefied petroleum gas (LPG) plant, whose output will feed into loading terminals at Hamriyyah port on the Persian Gulf. This joint venture with Amoco and C. Itoh of Japan will cost about \$300 million, and LPG exports to Japan should

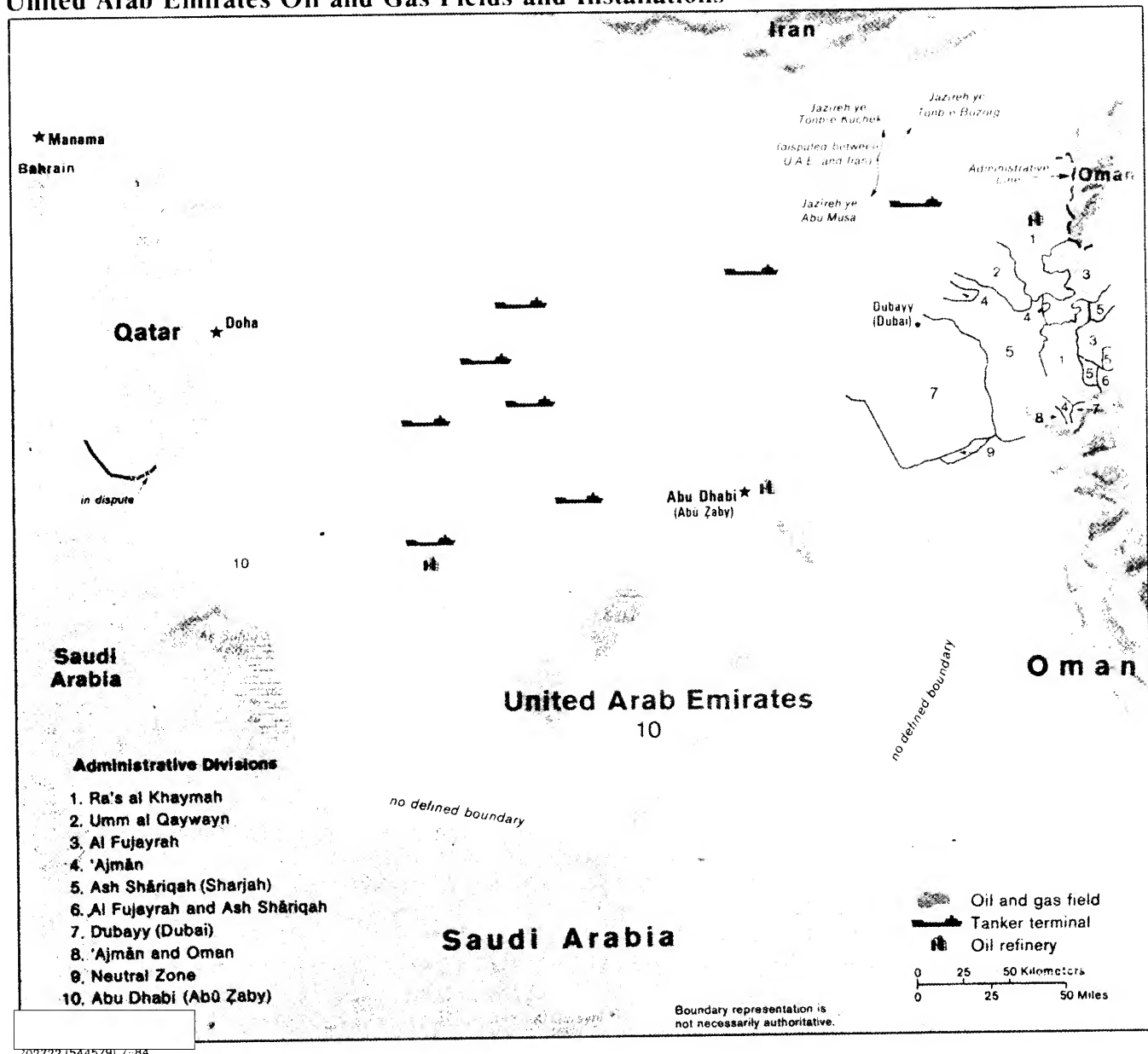
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begin in 1986. Other Sharjah natural gas—now flared—will be developed either to fuel generators linked to a forthcoming UAE electricity grid or to sell to Dubayy. Sharjah also is considering an ammonia-urea fertilizer plant proposal by Taiwan to utilize the natural gas. Unlike Saudi Arabia or Abu Dhabi, there are no grandiose schemes for petrochemicals or steel production. []

Sharjah's British-educated ruler, Shaykh Sultan ibn Muhammad al-Qasimi, has consistently pushed for a stronger UAE federation, from which he has much to gain. The emirate benefits from federal spending, and many educated Sharjans have federal jobs. Moreover, he hopes a stronger federation would assist Sharjah in its long-festering border dispute with Dubayy. According to US Embassy reporting, Shaykh Sultan is frustrated that neither UAE federal officials in Abu Dhabi nor UAE federal defense forces stationed in Sharjah did anything to stop Dubayy's recent efforts to find oil or gas in the disputed territory. This perception of federation weakness is inducing Sharjah to build an independent defense force modeled after Dubayy's. Despite Shaykh Sultan's support for a stronger UAE, such independent military units tend to weaken federation unity. []

Ra's al Khaymah: Oil at Last

Ra's al Khaymah was the second northern emirate to strike oil. The Saleh field, about 50 nautical miles southwest of the Strait of Hormuz and just inside the offshore border with Iran, was discovered in January 1983. Production began a year later, and Ra's al Khaymah exported its first oil in June 1984. The government's Ra's al Khaymah National Petroleum Company owns half the field, and Amoco and Gulf each own one-fourth. Current production of 10,000 b/d is scheduled to rise later this year to about 26,000 b/d as additional facilities are installed. A fourth delineation well, tested in January 1985, confirmed that substantial hydrocarbons exist east of prior drilling limits, according to press reports. This lends some credence to earlier speculation that the field may have the potential to produce 100,000 b/d. If this level were reached, Saleh field's annual gross oil revenues would approach \$1 billion at current prices. []

Ra's al Khaymah has a viable agricultural sector that has been spurred by UAE federal subsidies. The emirate benefits from rain in the Musandam mountains that replenishes local aquifers. Using careful conservation methods—not the wasteful flood irrigation of the past—Ra's al Khaymah has sufficient water to support intensive production of vegetables, dates, citrus fruit, tobacco, and hay. The ruler of Ra's al Khaymah, Shaykh Saqr ibn Muhammad al-Qasimi, has strongly encouraged farming by giving land grants to local citizens. Federal programs—while very wasteful elsewhere in the UAE—have enhanced local efforts:

- Subsidized seeds, weed killers, insecticides, and fertilizers are sold at far below market prices.
- Federal employees plow the farmers' land for them, drill water wells for free, and erect plastic greenhouses.
- A federally funded UN Food and Agricultural Organization research station is teaching more efficient irrigation methods and is studying how to adapt crops and farming techniques to local conditions. []

Beyond oil and agriculture, Ra's al Khaymah has few assets. A small but modern deepwater port at Mina Saqr serves as the export outlet for two adjacent cement plants financed by Kuwaitis. Mina Saqr is also equipped to handle large quantities of rocks and boulders, exported as aggregate throughout the area. Demand for cement and aggregate, however, has declined with the end of the construction boom in the Gulf region, making it all the more urgent for Ra's al Khaymah to concentrate on oil and agriculture. []

Al Fujayrah: Scenery and a Strategic Location

Fujayrah produces no oil, and it is unlikely that it will in the future. Instead, farming, fishing, transshipment services at its port, and the manufacture of cement, tiles, and rockwool insulating material are its main economic activities. The emirate government is also promoting its fledgling tourist industry. The mineral

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bath resort at Al Fujayrah town with separate men's and women's pools is being touted for Arab families. The underutilized Al Fujayrah Hilton on the east coast is being promoted as a weekend escape for Westerners and others working in the UAE and neighboring countries. []

Because of its limited economic assets, Al Fujayrah relies on UAE federal support. Although there are no data on federal expenditures within Al Fujayrah, increased construction activity since the oil price boom of the 1970s is evidence of federal largess. Without Abu Dhabi oil revenues funneled through the federation, Al Fujayrah would still be without most of its infrastructure. A prime example is the mountain road that provides the main link between Al Fujayrah and the other emirates. Abu Dhabi also has invested heavily in housing. []

Sustained belt-tightening in Abu Dhabi because of lower oil revenues will reduce resources for Al Fujayrah's development. As a result, Al Fujayrah is trying to exploit its location on the Gulf of Oman, east of the Strait of Hormuz, by promoting an export pipeline from Abu Dhabi's oilfields. For the moment, however, both the UAE federal government and the Gulf Cooperation Council have put off discussion of the various pipeline schemes to bypass the Strait of Hormuz. There also has been press reporting about building "strategic" grain storage facilities for the Arab states on the Persian Gulf at Al Fujayrah port, but no action has been taken. []

Umm al Qaywayn: Hoping for Oil Wealth

Umm al Qaywayn had hoped that its 15-percent share of the Mubarek field—shared with Sharjah and Iran—would provide independent wealth, but output has been disappointing. Nonetheless, it receives gross oil revenues of about \$18 million per year from its 1,800 b/d share. The emirate is sandwiched between new oil producers—Sharjah and Ra's al Khaymah—and is hoping that a Canadian consortium will find oil. Exploration started last year after an oil concession agreement was signed in July. The emirate's other assets consist of a small port, an experimental fish-farming station, and an asbestos plant. Fishing remains important to coastal residents. []

'Ajman: Tiniest Emirate Thinks Big

'Ajman has a population of only 37,000, but its ruler, Shaykh Humayd ibn Rashid al-Nuaymi, and its Chamber of Commerce think in grander terms. In 1983 a master development plan was commissioned from a UK firm to guide emirate development to the year 2000. Presently, 'Ajman has a mineral water bottling plant, a small ship repair facility, a joint venture with a Korean firm manufacturing furniture, and a film studio. The local government relies on UAE subsidies. []

'Ajman would like to become involved in the petroleum industry and is seeking to obtain a 180,000 b/d oil refinery, the largest in the UAE, according to press reports from Saudi Arabia. An existing refinery in Wales will be dismantled, shipped, and reassembled on the 'Ajman coast if all goes as planned. This joint venture of Saudi and UAE private investors along with the 'Ajman emirate government would process Saudi or Abu Dhabi crudes and 'Ajman crude if current exploration efforts are successful. Three exploratory wells found only small, noncommercial oil shows in 1984, but additional drilling is under way by Land Oil of the Philippines and Kuwaiti-owned Santa Fe. []

The Northern Emirates' Future Role in the UAE

Since the federation's inception, the northern emirates' economic dependence on Abu Dhabi has served as a unifying force within the UAE. We believe this will change, however, as greater economic independence puts further strains on federation unity. As these emirates achieve financial independence through oil or gas discoveries, each is likely to follow the example of economically self-sufficient Dubayy emirate and seek greater autonomy. This trend already is evident in Sharjah's plans for an independent defense force modeled after Dubayy's. []

The UAE's OPEC production quota and the need to fund the federation budget provide the northern emirates with economic reasons for placing distance between themselves and the federation:

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- Abu Dhabi represents the UAE in OPEC and assumed the full responsibility for assuring that the UAE's production quota is observed. This has allowed the other emirates to disregard OPEC production and pricing guidelines while Abu Dhabi carried the entire burden. If all the emirates were to share the UAE quota, then the northern emirates could find themselves limiting their small output to relieve the strain on Abu Dhabi's revenues.
- Severe, long-run revenue losses by Abu Dhabi are likely to cause it to exert pressure on the other emirates to pay for local projects that are now funded by the federation and perhaps contribute to the federal budget. If Abu Dhabi changes its fiscal policies, the northern emirates will have to choose between making contributions and expanding their influence in federal circles or pulling back to a looser form of federation.

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Despite the strains on the federation produced by these economic factors, all the emirates continue to recognize the benefits of unity:

- Common defense against external threats.
- Economies of scale in infrastructure and government services.
- A wide pool of jobs for talented Emirians, especially those from the northern emirates.

We expect these benefits will keep the federation together despite worsening conflicts over fiscal and oil policies.

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Abdul Haq: A Capital Insurgent

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Afghan insurgent commander Abdul Haq has been an important player in keeping the insurgency active in the Kabul area, but recent heavy Soviet and regime security measures and operations may be reducing his effectiveness. Haq's sense of organization and his understanding of tactics and strategy have contributed to his success, but his potential as a regional commander is limited by ethnic, political, and religious differences among the insurgents. Although Abdul Haq expresses hope for better cooperation among insurgent groups, he apparently is willing to let it evolve gradually. His group is affiliated with the predominantly Pushtun Hizbi Islami faction of Yunus Khalis.

Leadership and Tactics

In our view, Abdul Haq's leadership and tactical expertise have made him the most effective commander in the Kabul area. In fall 1984, Abdul Haq told a Western journalist that he saw Kabul as the symbol of Soviet occupation, and that attacks on Kabul were particularly important because diplomats and international organizations would publicize the insurgents' activity

We believe that Abdul Haq's organization is responsible for many of the rocket attacks on Soviet and regime installations inside Kabul. He has told US officials that his organization is responsible for numerous attacks on power stations and on Kabul Airport. In a recent interview, he praised improvements in coordination among insurgent groups and in arms supplies, particularly 107-mm rockets.

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The Man

Abdul Haq has been fighting Kabul regimes since 1974. He claims to have commanded Hizbi Islami-Khalis faction units in Paktia and Nangarhar Provinces before assuming his current post near Kabul. Abdul Haq has frequently journeyed abroad to promote the Afghan cause in recent years, traveling to Western Europe three times and the United States twice. He seems favorably disposed toward the West, although he has expressed dismay at the indifference he has encountered toward Afghanistan, particularly among European socialists. About 27, Abdul Haq is a Pushtun from the Jalalabad area. US consular officials in Peshawar describe him as frank, tough, and optimistic.



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Hizbi Islami—Yunus Khalis Faction

The Yunus Khalis faction of the fundamentalist Hizbi Islami resistance organization comprises mainly Pushtun tribesmen who are Sunni Muslims. The organization's strength is concentrated in Kabul, Lowgar, Nangarhar, Paktia, and Paktika Provinces. Khalis's faction still is linked with the seven-party fundamentalist alliance, though he pulled out of the organization in December 1983, charging alliance leader Sayyaf with misusing funds. Khalis has often been at odds with other fundamentalist alliance members and with the moderates, but his organization has had good personal relations with the Jamiat-i-Islami, which is strong in northern and western Afghanistan.

Abdul Haq's forces probably total approximately 6,000 to 7,000 men. He has arrayed his forces in Kabul Province outside the capital in seven units that surround the city. The largest group is in the Paghman area, a short distance northwest of Kabul, from which he can attack Soviet and regime outposts and convoys and seek refuge in the nearby mountains when confronted by superior forces.

Limitations

Abdul Haq's effectiveness is limited by the size of his force; by regime security; by weak leadership among the other groups with which he cooperates; and, inside Kabul, by the lack of an internal support structure. Regime security prevents insurgent groups from maintaining large weapons caches and from making prolonged or large-scale attacks in the capital. Insurgents in the city cannot expect timely support once they run out of ammunition.

Haq's group is more effective than a 10,000-man group backed by Peshawar fundamentalist leader Sayyaf, as well as local Jamiat insurgents and Hizbi Islami groups belonging to the Gulbuddin faction. poor leadership and lack of central control in some of those groups resulted in high casualties for limited gains and also made it difficult for Haq to coordinate operations with these groups. In winter 1985, however, Haq told a Western journalist that coordination among commanders had improved.

Reports from the US Embassy in Kabul indicate little insurgent activity in the capital so far this year. Increased security in the city—evident since December—high levels of helicopter activity over Kabul suburbs and the surrounding area, Soviet and regime operations in Lowgar Province, and winter weather probably caused the insurgents to curtail operations. Other than an hour-long insurgent rocket and mortar attack on Kabul Airfield and the bombing of a hospital, insurgent activity has been limited to sporadic nighttime rocket attacks, according to US officials.

Goals

Although Abdul Haq's modest political role in the insurgency has grown since 1982, he is still reluctant to push for resistance unity. In February 1985, Haq defended resistance disunity, telling a Western journalist that the diversity of the Afghan resistance was evidence of its democracy.

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In Abdul Haq's view, development of a working alliance of insurgents would have to proceed in stages. It would involve first the negotiation of a joint platform on problems of political strategy, such as accepting the principle of negotiating with the Soviets, determining the acceptability of former King Zahir Shah, and adopting a common policy toward the Arab countries and the West. A spokesman could be chosen once a common platform is established. No merger is needed, but a joint commission should be created that would settle local conflicts. Another essential task, in Haq's judgment, is to establish an education system in the refugee camps and inside Afghanistan. [REDACTED]

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Haq condemned Arab countries for reserving their aid for "stooges" rather than distributing it equitably. Nevertheless, he publicly advocates evenhanded treatment of other groups and hopes that they will accept the plan for gradual union. [REDACTED]

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India: Security Problems in the Northeast

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The planned raising of additional security forces in India's northeast indicates that internal security problems there are probably worsening.¹ Press reports, which probably understate the level of violence, show 150 killed in 1984 and almost 50 fatalities so far this year. New Delhi has been publicly optimistic about the state of affairs in the northeast and is probably trying to prevent news of problems there from encouraging nascent insurgent groups in Punjab. We believe the new security measures together with additional concessions to local political groups and continued economic aid for the region will control the situation.

Background

The principal cause of civil unrest and insurgent activity in the northeast has been the longstanding dispute over the rights of more than 3 million mostly Hindu Bengalis who have immigrated to the region since partition in 1947. Those who arrived before 1961 have been accepted; disagreement between the central government, local governments, and interest groups continues over the more than 400,000 immigrants who arrived afterward, mainly from Bangladesh.

Army spokesmen charge that the All Assamese Student Union (AASU), the focus of civil resistance to extension of legal and voting rights to the Bengali immigrants, has contacts with the three primary insurgent groups in the region, who are fighting for various degrees of tribal independence (see table). The National Social Council of Nagaland (NSCN) is the largest of the three with an estimated 2,000 men under arms. The NSCN wants independence for Nagaland, believing that the present federal arrangement will lead to the extinction of the Nagas as an ethnic group. It also has carried out operations in Manipur.

¹ India's northeast includes the states of Assam, Manipur, Nagaland, Tripura, and the Union Territory of Mizoram.

Major Insurgent Groups in the Northeast

	Strength	Area of Operations	Sanctuary Areas
Tribal National Volunteers	250	Tripura	Bangladesh
Mizo National Front	600	Mizoram	Bangladesh
National Social Council of Nagaland	2,000	Nagaland and Manipur	Burma
People's Liberation Army	100	Manipur	Burma

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The Mizo National Front (MNF) also is fighting for the preservation of tribal rights but wants union status for Mizoram with legal safeguards that will prevent Mizo culture from being submerged by immigrants from other states. The MNF has provided weapons and training to the Tribal National Volunteers (TNV) of neighboring Tripura. The TNV has been the most active insurgent group in recent months and advocates an independent state for the Tripuris.

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The much smaller People's Liberation Army (PLA) hopes to establish a Marxist government in Manipur. It seeks to protect the rights of the Meitei and apparently has succeeded in penetrating local security forces. Captured PLA guerrillas have often escaped, and, according to defense attache reports, a recent attack on a state militia installation was carried out with such impunity that the guerrillas must have had help from the inside.

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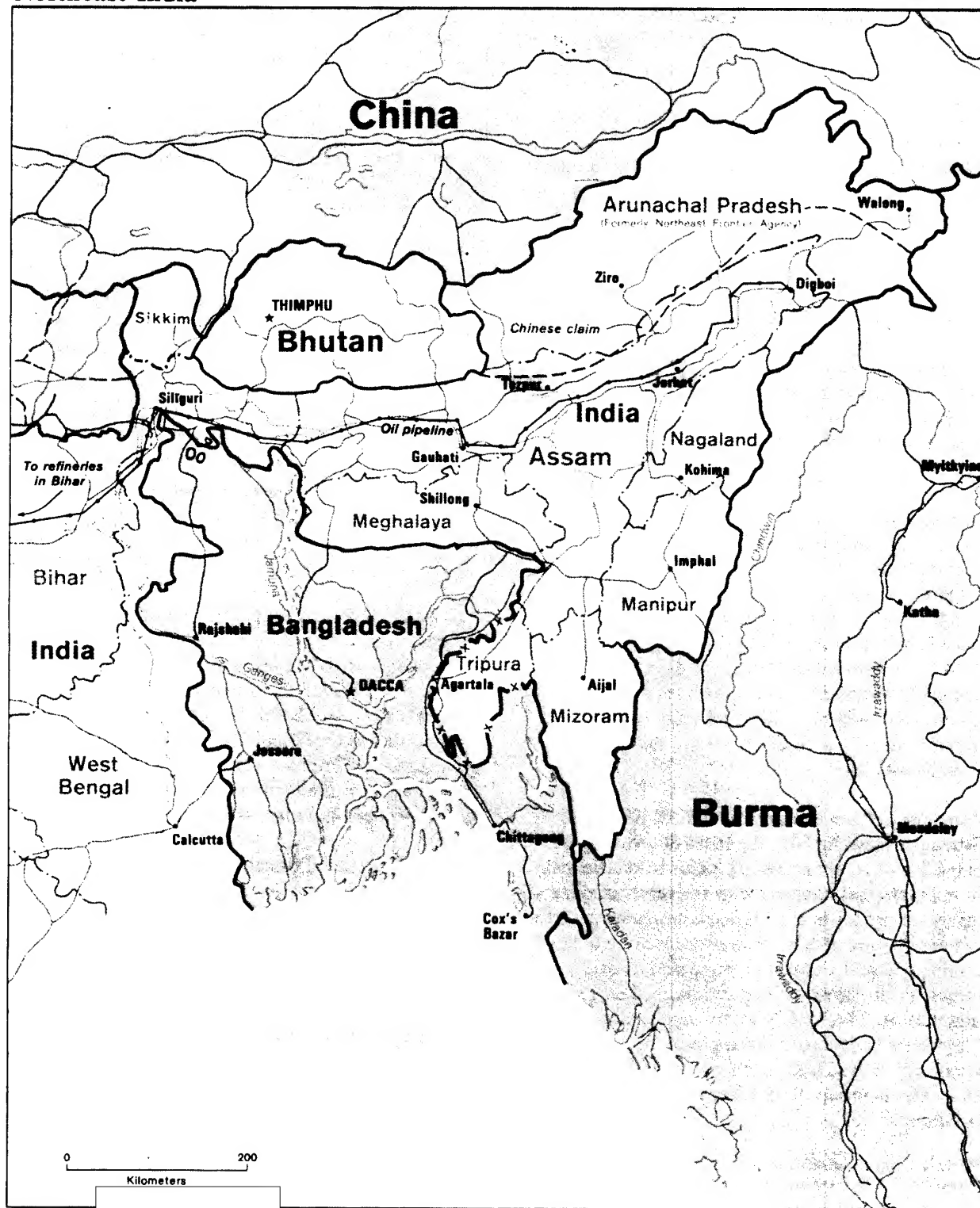
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Northeast India



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New Delhi's Response

The central government has attempted to defuse the situation by pumping large amounts of money into the northeast to relieve chronic unemployment, food shortages, and economic underdevelopment. These steps apparently have had some effect in Mizoram and Nagaland, where, according to Chief of Army Staff Vaidya, insurgent activity has been substantially reduced. Over the last year, negotiations have also been pursued with the AASU and the MNF. Territorial elections last May resulted in Congress Party victories in all northeastern territories except Mizoram. Embassy reporting noted that the elections weakened the MNF, which had called for a boycott of the elections. MNF leader Laldenga subsequently returned to India and began negotiating with the government. []

According to press reports, the government and the MNF have agreed on statehood for the territory, dissolution of its assembly, and the appointment of Laldenga as Chief Minister. Issues still to be resolved include the powers of the governor to maintain law and order and the institution of a state parliamentary veto over national parliamentary acts pertaining to social and religious practices, customary law, land ownership, and resources. The government believes that an agreement with the MNF will deprive the more radical TNV of its principal source of weapons and support. []

Security measures in the northeast have centered on the construction of a barbed wire fence along the border with Bangladesh. The fence was first proposed in 1983, and construction began last year. []

[] last May to check on reports that Dacca, which objects to the fence as an unfriendly act, was planning to disrupt construction. The central government has also agreed to construct 60 watchtowers along the Mizoram-Bangladesh border. A fifth Border Security Force battalion was sent to Mizoram last year, but the territory's Chief Minister has opposed the introduction of regular Army troops as counterproductive. []

Despite these efforts, over 150 civilians and military personnel were killed by insurgents in the northeast in 1984. Twice as many were injured in incidents of communal violence. These figures probably underestimate the level of civil unrest and violence because the area has been closed to all foreigners since 1983 when communal rioting sparked by electoral campaigning led to 1,000 deaths. []

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Reports of continued unrest in 1985 suggest that insurgent activities are on the upswing. Following a recent TNV ambush that left seven soldiers dead, the Chief Minister of Tripura announced that 31 soldiers have been killed since the beginning of the year. Recent events in Manipur included an attack in March on a militia armory and an ambush in February of an Army patrol in which 15 soldiers died. []

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Indian Force Augmentation

[] the continued violence has prompted the government to raise 10 more battalions—about 15,000 men—for the Assam Rifles, a regional paramilitary force. This year's preliminary defense budget shows a 25-percent increase in funding for the unit. Nineteen of the existing 21 battalions are under Army command in the northeast and committed to patrolling the Indo-Tibetan and Assam-Nagaland borders. Two reserve battalions were recently promised to Tripura but were withdrawn when the Chief Ministers of Assam and Nagaland protested. []

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The Assam Rifles are in high demand because they are recruited from the area and spend their entire careers in the region, which has made them more effective than the Army. Moreover, units from the Border Security Forces, a national paramilitary force controlled by the Home Ministry, were shifted from the northeast to the northwest because of troubles in Punjab and must be replaced. []

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The additional Assam Rifle battalions will probably be assigned to a new Army corps command at Jorhat in Assam. Expected to be operational in August, the 3rd Corps will coordinate counter guerrilla operations and command two mountain infantry divisions.² It has such a high priority that staffing of another recently created corps headquarters, which will operate along the southern flank of the Indo-Pakistani border, has been delayed. [REDACTED]

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The new command has not been publicly announced—probably because the government is trying to prevent dissidents in Punjab from taking advantage of problems in the northeast. Last summer during Operation Blue Star in Punjab, insurgent activity in the northeast increased. [REDACTED]

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Outlook

The additional security measures suggest that the security situation in the northeast is more serious than the government has admitted. New Delhi does not want to allow secessionist forces in the northeast to grow any stronger for fear that their success will encourage secessionists elsewhere, especially in Punjab. [REDACTED]

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The troop raisings indicate that New Delhi has acceded to the requests of territorial governments that no additional regular Army combat units be introduced, although antiguerrilla operations will be directed by an Army command. Moreover, the government apparently has accepted an Army recommendation that regular units be withdrawn from internal security operations and replaced with paramilitary forces under Army control. If additional paramilitary forces are not the answer, New Delhi probably will have to introduce regular Army units, which are already spread thin throughout the country.

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² India presently has nine corps, each of which commands two or more divisions. The other corps in the northeast, the 4th Corps, headquartered at Tezpur in Assam, commands three divisions along the borders of China and Burma. [REDACTED]

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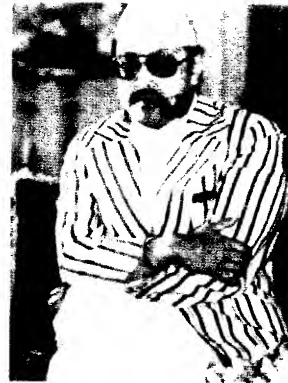
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Nepal: Palace, Panchayats, and Democracy in 1985

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Nepalese King Birendra, like his father King Mahendra, has flirted with a variety of democratic experiments during recent years, but he maintains a firm hold on the reins of power. For the foreseeable future, the King will be able to contain demands for increased democracy from several elite groups—government bureaucrats, students, leaders of banned political parties—by offering limited concessions, playing competing factions against each other, and presenting the monarchy as the only institution strong enough to maintain national unity. The military remains firmly behind Birendra.



King Birendra

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Partyless Politics

Nepal is an absolute monarchy with a constitution that guarantees limited democratic rights to the people and an elected National Assembly. The country's only experience with a popularly elected government occurred in 1959 following the election of Prime Minister B. P. Koirala and his Nepal Congress Party, but King Mahendra believed the experiment increased divisions within the country, and, in the name of national unity, he reinstated the prerogatives of the monarchy after 18 months. To meet the demands for more participation in national government, he introduced a system of representational government he characterized as "panchayat (assembly) democracy."

policy and programs appropriate to their area. The National Assembly is responsible for defense, foreign affairs, national development, and other countrywide issues.

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Election to all panchayats is on an individual basis; campaigning by political parties is banned. The role of political parties is filled in large part by caste and ethnic ties. Representatives in the assemblies, therefore, tend to come mainly from the highest caste in the electorate—usually large landholders, prominent merchants, or people with affiliations with the dominant castes in the Kathmandu Valley.

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The panchayat system is a four-tier hierarchy ranging from the more than 3,500 village assemblies, each locally elected, through the 75 district assemblies to 14 zonal assemblies, capped by the National Assembly, the Rashtriya Panchayat. The palace chooses a proportion of the representatives at each level, a greater proportion the higher the level. Local, district, and zonal panchayats are involved in setting

Pressures From Left, Right, Above, and Below

Although political parties are officially proscribed, some are allowed to exist on Nepal's political periphery. Since the closing session of the National Assembly last August, factions of the Nepal Congress Party (NCP), the Communist Party of Nepal, student groups, labor unions, and professional groups have been permitted to demonstrate in favor of higher pay for members of the national teachers union, students rights, and the right to hold public processions by political groups.

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The King and his advisers have deflected these challenges by:

- Alternately proffering and withholding royal favor to representatives of opposing views and playing one faction against another.
- Promising but putting off decisions.
- Keeping intentions ambiguous and ill defined.

The King uses calculated ambiguity to keep potential opponents off guard. In a system where political power is ultimately rooted in royal favor and personal relationships with a reclusive patron, ambivalence and uncertainty are the strongest weapons in the royal arsenal. []

Although the National Assembly was created by the King and is packed with his handpicked representatives, the King dilutes its potential for dissent with the same techniques he applies to other groups in the country. The Assembly elects from among its members a prime minister who serves as head of government, but, in the absence of legal parties, each of its 140 members acts without the discipline of a political organization. Support for any prime minister, therefore, becomes an issue of frequently shifting minicoalitions, each highly susceptible to manipulation by the palace.² Since a national referendum in 1980 that revalidated the concept of panchayat democracy, only two men, L. B. Chand and S. B. Thapa, have alternated in the position of prime minister, with each rising or falling depending on the faction in the Assembly the palace chose to back. This alternation has effectively sapped the National Assembly's ability to implement long-term programs, initiate a meaningful opposition within the government, and design future national development plans []

The NCP: Opposition in a Partyless Democracy

The Nepal Congress Party (NCP) plays an important role in the political life of the country, although, like other proscribed parties, it is controlled by the palace. Since the National Assembly session closed late last summer, the NCP has held meetings throughout the country in favor of restoring party democracy and ending the panchayat system. All of the meetings were disrupted by local police and Army units and their organizers jailed for short periods. []

² In Nepalese usage, the palace connotes the King, his family, and the small group of advisers that run the royal household and exert influence on the King and his decisions []

Following this series of meetings, the NCP convened its Central Committee in Kathmandu in March, anticipating that the government would disrupt the effort, jail the participants, and thus provide the party with a rallying point to use in attracting other dissident elements. The palace failed to comply, however, probably guessing the NCP's plans, and the NCP's call for opposition unity had a hollow ring. We believe the King has accurately assessed that vigorous action against the NCP—and other opposition factions—would only serve to validate their claims of palace repression, drive them underground, and perhaps increase their susceptibility to foreign influence. []

Communism and the Kingdom

Nepal's Communist parties are highly factionalized with groups representing affiliations with the USSR, China, and other Communist countries. They are largely an urban phenomenon and have little influence outside the Kathmandu Valley. The Soviet Union uses trips to Moscow and educational scholarships to reward those that respond to its direction, but it has had little success in convincing the groups to unite behind its leadership []

So far, the palace has managed to minimize both Communist influence within the country and the role of Communist opposition in the national administration. Earlier this year the King participated in selecting representatives to a Communist youth festival in Moscow this summer, creating the perception of royal favoritism toward one faction, seriously reducing the prestige of the other two major factions in the capital, and causing an internecine squabble. []

The Soviets, however, do not push too hard on behalf of the Nepalese Communists, probably out of deference to New Delhi, which would be alarmed by a serious Communist presence in Nepal. [] [] the Soviets may be impeding Communist unity efforts by restraining leaders who achieve too great a national prominence. []

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Professional Groups—An Example of Frustration

In the absence of political parties, professional organizations have become one of the major influences in the country. The All Nepal Teachers Association closed all the schools in the kingdom on several occasions in March, demanding higher wages, and even drew sympathy strikes from the national banks and postal service. The palace attempted to defuse the situation by meeting the group's major demands. [REDACTED]

Without political parties to channel dissent, the teachers' agitation has become a rallying point for a number of diverse interests. Even groups within the National Assembly have used the teachers' challenge to highlight their criticisms of the panchayat system, and the echoes of dissent generated by the activity are still reverberating. [REDACTED]

Regionalism

Scholars who write on Nepal have identified regionalism as a primary factor in future political change in Nepal. The King initiated a major population study over two years ago to identify the number and range of the country's ethnic groups, and, based on the findings of this study, he has begun to apportion the benefits of modernization more sensitively. Development programs, for example, have been redirected to meet the needs of the rapidly growing lowland population, and military appointments, traditionally the preserve of a few high castes, have been made available to a wider range of ethnic groups. [REDACTED]

Embassy reporting suggests that the ethnic diversity of the country will increasingly provide fertile ground for dissent. Last fall, for example, Nepal Congress Party organizers took their demonstrations to the most densely populated regions of the lowlands along the Indian border before addressing the political elites in Kathmandu, the usual focus for demonstrations. There is a growing awareness among political organizers in Nepal that the future power centers will probably include the regions outside of the Kathmandu Valley where population pressures and development programs are increasing local awareness of political affairs. [REDACTED]

Outlook

In our view, the monarchy will remain the primary symbol around which the various ethnic and religious groups will coalesce for the next several years at least. The military, [REDACTED] remains fiercely loyal to the palace. Barring the unlikely event that the King alienates the military, we believe it will remain a force for continuity rather than a factor for change. The tensions and challenges facing Nepal's partyless democracy have to be seen in the context of growth and development in a country that is still overwhelmingly rural, poor, illiterate, and tribal, where, as one Western diplomat has noted, all the efforts of the last two decades of development have helped Nepal leap from the 11th century into the 14th. [REDACTED]

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